Tortoise QuickTake Podcast

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Welcome to the Tortoise QuickTake podcast. Thank you for joining us. Today, a senior member of Tortoise provides a timely update on trending topics in the market.

I'm James Mick, Managing Director and Portfolio Manager with Tortoise Capital Advisors.

Fall is truly a glorious time of year if you are a sports fan. College and pro football kicks off, baseball begins the march to the playoffs and basketball is just around the corner. Additionally, the fall TV season gets underway and if you are a child of the 80's and 90's, you'll be happy to know that MacGyver is making his return to the small screen, duct tape in hand, ready to save the world. And not to be outdone, Lethal Weapon moves from the big screen to television as it's clear Hollywood is pretty much out of original ideas. Of course the election with Trump and Clinton will likely provide the best reality television in quite some time! Now that I have planned out your fall viewing schedule, let's get an update on energy markets.

From a performance perspective, risk off dominated the past week:

- On the commodity front, crude oil was down over 6% as OPEC countries drove the headlines, while
- Natural gas was strong, up 5.4% for the week on hotter than anticipated weather
- Shifting to equities, the broader S&P Energy Select Sector Index® finished lower, dropping 2.9%
- Exploration and production companies, as measured by the Tortoise North American Oil & Gas Producers Index℠, struggled as well, down 4.8%
- And finally MLPs fell as the Tortoise MLP Index® finished down 3.7%

Last week was not nearly as exciting as the week before in terms of big transactions, but we did have a few noteworthy items to discuss.

To begin, crude oil stocks actually had another draw this week, which is meaningful because the week before was a 14 million barrel decline, primarily driven by Gulf weather threats and associated production being shut in. We fully expected a surge in imports to drive a large build, but it didn't happen. While it could still take place, the fact that it didn't last week is a positive for U.S. supply.

Not so positive for crude oil prices was continued rhetoric regarding a potential restart of various export facilities in Libya as well as Nigeria. Pundits have surmised the potential for upwards of an incremental 700,000 to 900,000 barrels per day of supply. While the likelihood of that seems a bit hard to believe, it is possible and would certainly put stress on the crude markets.

Closer to home, the Colonial Pipeline, which takes refined product, such as gasoline, diesel and jet fuel, from the Gulf Coast to the Northeast, had a 6,000 barrel leak in Alabama. The spill was contained to a remote area of the state and mostly within a mining retention pond, but the shutdown of one portion of the pipeline will likely cause significant deliverability issues to those states impacted. The 5,500 mile pipeline delivers over 2 million barrels per day of product across 13 states, making it one of the largest and most strategic pipelines in America, in our view.

From a regulatory perspective, the Dakota Access Pipeline, currently owned by Energy Transfer Partners, Sunoco Logistics and Phillips 66 had a strange week. On Friday, a federal ruling allowed construction to continue. However, that evening, three government agencies stepped in and halted construction on a specific portion in South Dakota until a further evaluation could be conducted. This was a surprising turn of events and in the view of some legal experts, unprecedented. Ultimately it means that a small portion of the pipeline is delayed and may need to be rerouted. We fully expect the pipeline to still be placed in service at some point, but it is unclear when that will be and what path it will take. It's likely the delay adds incremental cost to the construction, but at this point we don't feel it will be material to the overall economics. We continue to wait with anticipation to see the outcome of this event.

On a more positive note, the MLP space saw its first midstream IPO in 5 quarters and its first IPO of any kind in just over a year. Noble Midstream Partners priced on Wednesday night for Thursday trading. The MLP, ticker NBLX, has a large, investment grade parent company with a $14 billion dollar market cap and over 400,000 barrels of oil equivalent per day of production. Initial assets for the MLP include both DJ Basin and Permian Basin gathering pipelines. Per management, the company intends to grow through both increasing volumes on existing systems as well as drop-downs of assets at the parent company to the midstream entity. While this is just one IPO, we view it favorably and hope that it continues to thaw the equity capital markets.

That will do it for today. Have a great week and we look forward to speaking with you again soon.

Thank you for joining us. And stay tuned for our next cast. Have topics you want covered or other feedback to share? Write us at info@tortoiseadvisors.com

The S&P 500 Energy Select Sector® Index
The S&P 500 Energy Select Sector Index is a capitalization-weighted index of S&P 500® Index companies in the energy sector involved in the development or production of energy products.

About Tortoise North American Oil & Gas Producers Index℠
The Tortoise North American Oil & Gas Producers Index℠ is a float-adjusted, capitalization weighted index of North American energy companies primarily engaged in the production of crude oil, condensate, natural gas or natural gas liquids (NGLs). The index includes exploration and production companies structured as corporations, limited liability companies and master limited partnerships but excludes United States royalty trusts.

About Tortoise MLP Index®
The Tortoise MLP Index® is a float-adjusted, capitalization weighted index of energy master limited partnerships (MLPs). The index is comprised of publicly traded companies organized in the form of limited partnerships or limited liability companies engaged in transportation, production, processing and/or storage of energy commodities.

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